

Consolidated financial statements

In autumn 2008, the Swiss National Bank (SNB) established the SNB StabFund Limited Partnership for Collective Investment (stabilisation fund) to take over illiquid assets from UBS as part of the package of measures aimed at strengthening the Swiss financial system. It thereby constitutes a group as defined in art. 663e of the Swiss Code of Obligations (CO) and is required to draw up consolidated financial statements.

These statements contain additional information which is not contained in the annual financial statements of the parent company. In addition to meeting the requirements governing consolidated financial statements under Swiss company law (art. 663g CO), they cover above all business matters that only arise from a broader group view, i.e. through the participation in the stabilisation fund companies.

Information that is equally applicable to both the annual financial statements of the parent company and the consolidated financial statements is not repeated. The consolidated financial statements are reported in Swiss francs and should be read together with the annual financial statements of the parent company.

1 Consolidated balance sheet as at 31 December 2009

In CHF millions

Assets	Item no. in Notes	31.12.2009	31.12.2008	Change
Gold holdings		34 757.9	27 521.2	+7 236.7
Claims from gold transactions		3 427.7	3 340.4	+87.3
Foreign currency investments		94 680.2	47 428.8	+47 251.5
Reserve position in the IMF		1 230.8	724.7	+506.0
International payment instruments		5 555.9	244.5	+5 311.4
Monetary assistance loans		348.9	326.3	+22.6
Claims from US dollar repo transactions		–	11 670.9	–11 670.9
Balances from swap transactions against Swiss francs		2 671.6	50 421.4	–47 749.8
Claims from Swiss franc repo transactions		36 207.9	50 320.6	–14 112.7
Claims against domestic correspondents		9.8	11.1	–1.3
Swiss franc securities		6 542.7	3 596.7	+2 946.0
Stabilisation fund investments	01	20 652.0	16 227.1	+4 425.0
Banknote stocks		107.2	136.5	–29.3
Tangible assets		365.2	382.8	–17.5
Participations	02	147.6	147.8	–0.3
Other assets		1 432.6	3 407.7	–1 975.1
Total assets		208 138.1	215 908.5	–7 770.4
Total subordinated claims		–	–	–
Total claims against non-consolidated affiliated companies and qualified participations		–	–	–

Liabilities	Item no. in Notes	31.12.2009	31.12.2008	Change
Banknotes in circulation		49 966.2	49 160.8	+805.4
Sight deposits of domestic banks		44 992.9	37 186.2	+7 806.8
Liabilities towards the Confederation		6 182.7	8 803.7	-2 621.0
Sight deposits of foreign banks and institutions		2 640.6	3 799.8	-1 159.2
Other sight liabilities		3 285.6	1 383.7	+1 901.9
SNB debt certificates		27 473.1	24 424.9	+3 048.2
Other term liabilities		-	29 414.5	-29 414.5
Foreign currency liabilities		1 450.1	420.1	+1 030.0
Contractual agreements ¹		-	948.1	-948.1
Counterpart of special drawing rights allocated by IMF		5 311.8	-	+5 311.8
Other liabilities		882.9	1 934.4	-1 051.5
Provisions for operating risks and other provisions		5.5	6.2	-0.7
Provisions for currency reserves		41 282.2	40 275.3	+1 006.9
Capital		25.0	25.0	-
Distribution reserve		14 634.2	22 871.7	-8 237.5
Consolidated result	04	9 955.0	-4 729.1	+14 684.1
Foreign currency translation differences		50.3	-16.8	+67.1
Total liabilities		208 138.1	215 908.5	-7 770.4
Total subordinated liabilities		-	-	-
Total liabilities towards non-consolidated affiliated companies and qualified participations		2.8	-	+2.8

¹ Refers to the stabilisation fund portfolio not yet transferred as at the end of 2008.
This liability item was closed once acquisition of the UBS positions had been completed.

Off-balance-sheet business
In CHF millions

	31.12.2009	31.12.2008	Change
	Item no. in Notes		
Liquidity-shortage financing facility	35 946.5	34 486.5	+1 460.0
Irrevocable undertakings	4 926.9	3 046.6	+1 880.3
Obligations to pay or make additional payments	104.3	105.8	-1.5
Liabilities from long-term rental, maintenance and leasing contracts	8.3	9.4	-1.1
Contingent liabilities from procurement of banknotes	80.8	-	+80.8
Other obligations not carried on the balance sheet ¹	3 934.6	42 279.9	-38 345.3
Fiduciary investments	252.2	262.3	-10.1
Derivative financial instruments	03		
Contract volumes	142 582.5	118 469.2	+24 113.3
Positive replacement values	1 418.0	3 278.2	-1 860.2
Negative replacement values	7 351.9	1 263.2	+6 088.7

1 Refers to contingent liabilities of the stabilisation fund, cf. p. 172.

2 Consolidated income statement for 2009

In CHF millions

		2009	2008	Change
	Item no. in Notes			
Net result from gold		7 338.1	-698.8	+8 036.9
Net result from foreign currency positions		1 912.3	-4 363.8	+6 276.1
Net result from Swiss franc positions		281.3	550.8	-269.5
Net result from stabilisation fund investments	04	-2 101.8	-1 953.5	-148.3
Net result from loss protection arrangements	04	2 848.8	1 953.5	+895.3
Income from participations	02	12.7	21.9	-9.2
Net result, other		6.0	1.7	+4.3
Gross income		10 297.5	-4 488.2	+14 785.6
Banknote expenses		-40.7	-33.6	-7.1
Personnel expenses		-117.0	-107.9	-9.1
General overheads		-149.0	-65.6	-83.4
Depreciation on tangible assets		-35.8	-33.7	-2.0
Consolidated result		9 955.0	-4 729.1	+14 684.1

3 Changes in equity capital (consolidated level)

In CHF millions

	Capital	Provisions for currency reserves	Distribution reserve	Foreign currency translation differences	Consolidated result	Total
Equity capital as at 1 January 2008	25.0	39 524.3	18 128.7	–	7 995.5	65 673.5
Endowment of provisions for currency reserves pursuant to NBA		751.0			–751.0	
Allocation to distribution reserve			4 743.0		–4 743.0	
Distribution of dividends to shareholders					–1.5	–1.5
Profit distribution to Confederation and cantons					–2 500.0	–2 500.0
Change in foreign currency translation differences				–16.8	–	–16.8
Consolidated result of year under review					–4 729.1	–4 729.1
Equity capital as at 31 December 2008	25.0	40 275.3	22 871.7	–16.8	–4 729.1	58 426.1
Equity capital as at 1 January 2009	25.0	40 275.3	22 871.7	–16.8	–4 729.1	58 426.1
Endowment of provisions for currency reserves pursuant to NBA		1 006.9			–1 006.9	
Release from distribution reserve			–8 237.5		8 237.5	
Distribution of dividends to shareholders					–1.5	–1.5
Profit distribution to Confederation and cantons					–2 500.0	–2 500.0
Change in foreign currency translation differences				+67.0	–	+67.0
Consolidated result of year under review					9 955.0	+9 955.0
Equity capital as at 31 December 2009	25.0	41 282.2	14 634.2	50.2	9 955.0	65 946.6

4 Notes to the consolidated financial statements as at 31 December 2009

4.1 Explanatory notes on business activities

The Swiss National Bank, as an independent central bank, conducts the country's monetary policy. In autumn 2008, the SNB StabFund Limited Partnership for Collective Investment (stabilisation fund) was established as part of the SNB mandate to strengthen the Swiss financial system. It then incorporated its own subsidiaries. The purpose of the stabilisation fund is the management and realisation of the illiquid assets acquired from UBS.

Information on the SNB's staff numbers may be found on p. 112. The stabilisation fund companies do not employ any staff of their own.

The stabilisation fund has mandated UBS to handle the operational management of its assets. Northern Trust, Chicago, serves as custodian. These outsourcing arrangements are governed by contracts.

Business activity and purpose

Number of staff

Outsourced business areas

4.2 Accounting and valuation principles

General

The consolidated financial statements have been prepared in accordance with the provisions of the National Bank Act (NBA), the Swiss Code of Obligations (CO), the Listing Rules of SIX Swiss Exchange, and the Bank Accounting Guidelines (BAG). The consolidated financial statements give a true and fair view of the financial position, the results of operations and the statement of changes in equity, taking into account the facts and circumstances stated below.

Since the SNB – as the central bank – is in a position to create money autonomously, no consolidated cash flow statement was prepared.

The structure and designation of the items in the annual financial statements take into consideration the special character of the business conducted at a central bank.

Owing to its activities as a central bank, the SNB does not present its assets and liabilities or its income and expenses broken down by country or by country group, nor does it make any distinction between domestic or foreign. In addition, it does not present the term structure of its current assets and borrowed capital. Further information on these matters may be found in other SNB publications (cf. in particular the detailed statements with regard to currency reserves and foreign currency investments in the *Monthly Statistical Bulletin*).

The consolidated financial statements must be read together with the SNB's individual financial statements (cf. pp. 123–160). Detailed explanations on the accounting and valuation principles and on the consolidated balance sheet and income statement are not reiterated if they have already been provided in the notes to the accounts of the Swiss National Bank.

Basic principles

Reference to the SNB's annual financial statements

Changes from previous year

In 2009, the stabilisation fund incorporated subsidiaries which were included in the consolidated accounts at stabilisation fund level.

Recording of transactions

The SNB's business transactions are recorded and valued on the day the transaction is concluded (trade date accounting). However, they are only posted on the value date. Transactions concluded by the balance sheet date with a value date in the future are stated under off-balance-sheet transactions.

Stabilisation fund business transactions are posted on the day they are concluded.

Accrual reporting

Expenses are recognised in the financial year in which they are incurred, and income in the financial year in which it is earned.

Tax liability

Under art. 8 NBA, the SNB is exempt from taxation on profits. Tax exemption applies to both direct federal taxes and cantonal and municipal taxes. The exemption also applies to the stabilisation fund companies incorporated in Switzerland. Those incorporated outside Switzerland are subject to their local taxation legislation.

Transactions with related parties

The rights of the SNB's shareholders are restricted by law; they cannot exert any influence on financial or operational decisions. Banking services provided to members of the executive management are carried out at normal banking industry conditions. No banking services are provided to members of the Bank Council.

Balance sheet and income statement

Stabilisation fund investments

The majority of stabilisation fund investments are securities (securitised loans) entered on the balance sheet at amortised cost. During the entire term of these investments until maturity, the premium and discount are treated as an accrued or deferred item on the balance sheet. Since these securities are held long-term, and are not traded in an active market, they are assigned to *loans and receivables*. The effective interest method is applied.

In addition, the stabilisation fund holds non-securitised company loans which, like the securities, are classed as *loans and receivables* and are entered at amortised cost.

The remainder of the stabilisation fund's investments include derivative financial instruments as well as a small proportion in real estate and securities whose contractual design prevents them being assigned to *loans and receivables*. These securities, plus the derivative instruments, are – in principle – valued and entered in the balance sheet at 'fair value'. The fair value is the price obtained on a liquid market with efficient price movements, or the price ascertained on the basis of a valuation model. Real estate is entered in the balance sheet at the lower of cost or market (LCM).

All valuation changes are entered in *net result from stabilisation fund investments*.

Impairment tests are conducted periodically to determine the recoverable value of the assets. Individual value adjustments are made to cover all identifiable losses. They are debited to the income statement and deducted directly from the relevant asset item.

In addition to the components mentioned in the notes to the accounts of the SNB's annual financial statements (parent company), the SNB's warrant for 100 million UBS shares is stated as a positive replacement value in *other assets* and recorded against a compensation account in *other liabilities* so that the SNB's net income is unaffected. It serves as secondary loss protection.

In addition to the SNB, as the parent company, the consolidated financial statements also encompass the companies established in connection with the stabilisation fund in which the SNB has a 100% stake, either directly or indirectly. The SNB Stabfund Limited Partnership for Collective Investment constitutes the core of the stabilisation fund together with its two partners, Stabfund (GP) AG, the managing partner (general partner) with unlimited liability, and LiPro (LP) AG, a partner with limited liability. In 2009, subsidiaries were added to the group of reporting entities. These companies were established in order to conform to the legal conditions prevailing in specific locations.

Value adjustments

Other assets and other liabilities

Reporting entities

Significant majority interests

Company name, head office	Business activity	Capital stock In CHF millions	Equity interest	
			31.12.2009	31.12.2008
StabFund (GP) AG, Berne	Holding of limited partnership shares in SNB StabFund	0.1	100%	100%
LiPro (LP) AG, Berne	Distribution of limited partnership shares in SNB StabFund	0.1	100%	100%
SNB StabFund Limited Partnership for Collective Investment, Berne	Collective investments	0.1 (6,000 shares)	100%	100%

The following options exist in connection with the above-mentioned majority interests:

GP purchase option: the SNB granted UBS the option to take over the share capital of StabFund (GP) AG and, with it, two shares in the SNB StabFund Limited Partnership for Collective Investment.

LP purchase option: LiPro granted UBS the option to take over 5,998 shares in the SNB StabFund Limited Partnership for Collective Investment.

Repurchase option: UBS granted the SNB the right to request the repurchase of the stabilisation fund in the case of a change of control at UBS.

Significant minority interests

Company name, head office	Business activity	Capital In CHF millions	Equity interest	
			31.12.2009	31.12.2008
Orell Füssli Holding Ltd, Zurich	Bookshop, publishing house and banknote and security printing	1.96	33%	33%

Consolidation principles

The consolidated financial statements are based on the annual accounts of the SNB and the stabilisation fund companies. Entries arising from intra-group transactions as well as interim profits are eliminated in preparing the consolidated financial statements. In line with the method of full consolidation, significant majority interests are included in the consolidated financial statements. Capital consolidation is carried out according to the purchase method. Newly established subsidiaries are consolidated once control is transferred to the group.

The participating interest in Orell Füssli Holding Ltd is recognised according to the equity method.

Other participating interests are not considered significant economic interests and are stated at acquisition cost less any value adjustments.

Consolidation period

In principle, the calendar year is deemed to be the financial year and the period of consolidation. The first full financial statements for the stabilisation fund companies were prepared for the year ending 31 December 2009. The financial year for the companies established in 2008 lasted more than one year. Consequently, in order to be able to prepare consolidated financial statements as at 31 December 2008, it was necessary to draw up an interim statement for these companies.

The financial year for the companies incorporated in 2009 is also extended, in some cases. They therefore drew up an interim statement as at 31 December 2009 for the purpose of the consolidated financial statements.

Individual valuation

Different sub-items summarised in one balance sheet item are, in principle, valued individually.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs. Foreign currency transactions are reported at the applicable daily rate. Foreign currency items are converted on the balance sheet date at the year-end rate, and the difference is recognised in the income statement. Foreign currency changes that occurred between conclusion of the transaction and its settlement are recorded in the income statement.

Assets and liabilities of group companies are converted at the rate prevailing on the balance sheet date; items in the income statement are converted at the average rate for the entire period. The difference resulting from the discrepancy between these two conversion rates is directly recognised under equity capital in the *foreign currency translation differences* item.

Foreign exchange valuation prices

In CHF	2009	2008	Change
	Balance sheet date	Balance sheet date	In percent
1 US dollar (USD)	1.0336	1.0658	-3.0
1 euro (EUR)	1.4853	1.4895	-0.3
1 pound sterling (GBP)	1.6723	1.5595	+7.2
100 Danish kroner (DKK)	19.9600	19.9600	-
1 Canadian dollar (CAD)	0.9855	0.8733	+12.8
100 Japanese yen (JPY)	1.1142	1.1734	-5.0

The average exchange rate for the US dollar for 2009 was 1.0858 Swiss francs. For 2008 (October–December), an average exchange rate of 1.1567 Swiss francs was applied.

No events that significantly affected the group's financial position, the results of operations and the statement of changes in equity occurred up to the date when the consolidated financial statements were approved by the Bank Council.

The SNB's business risk and that of the consolidated subsidiaries is assessed by the National Bank. For this purpose, it uses the monitoring and control processes described in the chapter on risk management at the SNB (cf. pp. 154–160). The particular risks faced by the stabilisation fund (cf. pp. 171–172) are summarised in the subsequent section.

The investment portfolio of the stabilisation fund consists mainly of financial instruments backed by different types of claims (mortgages, loans, etc.). Risks are therefore primarily determined by the uncertainty as to how the value of these claims will develop. Future general economic trends constitute an important risk factor. Since a large part of the securities are backed by US residential and commercial mortgages, developments in US real estate prices also play a crucial role.

Information on the SNB's internal control system can be found in the annual financial statements of the parent company, on pp. 152–154. Comments on such control systems for the stabilisation fund companies are available on p. 172. In addition to the internal control systems for the individual companies, there is also such a control system for processes that are of relevance for drawing up the consolidated financial statements.

**Events after balance
sheet date**

Assessment of risk

Internal control system

4.3 Notes on the consolidated income statement and balance sheet

Item no. 01

Stabilisation fund investments

	31.12.2009	31.12.2008	Change
In CHF millions			
Sight deposits in different currencies	682.8	623.5	+59.3
Securities (securitised loans)	16 299.6 ¹	15 603.6	+696.0
Non-securitised loans ²	3 434.1	–	+3 434.1
Real estate ³	16.0	–	+16.0
Derivative transactions	135.8	–	+135.8
Other assets	83.7	0.1	+83.6
Total stabilisation fund investments	20 652.0	16 227.1	+4 424.9

1 Of which, CHF 15,793.1 million entered at amortised cost, with a fair value of CHF 15,666.6 million.

2 Fair value 3,736.5 million.

3 Fair value 21.3 million.

Item no. 02

Participations and income from participations

	Valued according to equity method ¹	Other participations	Total
In CHF millions			
Book value as at 1 January 2008	46.0	90.8	136.8
Investments	–	–	–
Divestments	–	–	–
Valuation changes	11.0	0.0	11.0
Book value as at 31 December 2008	57.0	90.8	147.8
Book value as at 1 January 2009	57.0	90.8	147.8
Investments	–	–	–
Divestments	–	–0.0	–0.0
Valuation changes	–0.2	–	–0.2
Book value as at 31 December 2009	56.7	90.8	147.6

1 Orell Füssli Holding Ltd.

Income from participations valued according to the equity method amounts to CHF 5.0 million (2008: CHF 14.3 million). Income from other participations amounts to CHF 7.8 million (2008: CHF 7.6 million).

Outstanding derivative financial instruments are reported in item no. 32 of the SNB's individual financial statements. Under interest rate instruments, the stabilisation fund holds interest rate swaps, and under credit instruments, it holds credit default swaps. In addition, from the viewpoint of the group, an agreement exists between LiPro (LP) AG and UBS in the form of a purchase option. This allows UBS to buy LiPro (LP) AG's shares in the SNB StabFund Limited Partnership for Collective Investment (LP purchase option). The premium received for this option was invested in the SNB StabFund Limited Partnership for Collective Investment, and LiPro (LP) AG received shares in exchange. Since the SNB StabFund Limited Partnership for Collective Investment did not report a positive fixed asset value at the end of the year, the LP purchase option was not assigned any value. The contract volume amounts to CHF 4,318.6 million (2008: CHF 1,862.4 million).

A valuation was performed for the warrant for 100 million UBS shares. If the SNB's loan to the stabilisation fund is not repaid in full, the warrant can be exercised as secondary loss protection. It was entered in the consolidated balance sheet at a value of CHF 1,216.4 million (2008: CHF 607.0 million). Of this amount, CHF 391.8 million has been recognised in the income statement (2008: CHF 90.5 million).

In CHF millions	31.12.2009			31.12.2008		
	Contract value	Replacement value		Contract value	Replacement value	
		Positive	Negative		Positive	Negative
SNB parent company ¹	124 339.6	65.7	36.1	116 596.7	2 671.2	1 263.2
Interest rate swaps	2 901.0	27.1 ²	44.9	–	–	–
Credit default swaps	11 013.3	108.7 ²	7 270.8 ³	–	–	–
LP purchase option	4 318.6	–	–	1 862.4	–	–
Warrant	10.0	1 216.4	–	10.0	607.0	–
Total for group	142 582.5	1 418.0	7 351.9	118 469.2	3 278.2	1 263.2

1 Cf. item no. 32, SNB parent company financial statements, p. 151, contract value of warrant stated separately in this table.

2 Already listed under stabilisation fund investments.

3 Negative replacement value of credit default swaps offset against deposited cash collateral to give a net item, cf. pp. 169–170.

Impact of the stabilisation fund on the consolidated result

The effect of the stabilisation fund on the consolidated result remains neutral through considering the primary loss protection and the warrant.

	2009	2008 ¹	Change
In CHF millions			
Net result from stabilisation fund investments	-2 101.8	-1 953.5	-148.3
Interest expenses on SNB loan ²	-660.8	-22.9	-637.9
Additional income and expense components ³	-86.2	22.9	-109.1
Stabilisation fund result	-2 848.8	-1 953.5	-895.3
Primary loss protection (stabilisation fund equity capital)	2 457.0	1 863.1	+593.9
Secondary loss protection through warrant	391.8	90.5	+301.3
Net result from loss protection arrangements	2 848.8	1 953.5	+895.2
Impact of stabilisation fund on consolidated result	-	-	-

1 The presentation of the stabilisation fund quarterly results for 2008 has been adjusted.

2 In the consolidated financial statements, interest income from the point of view of the National Bank and interest expenses from the point of view of the stabilisation fund offset one another.

3 Operating expenses (general overheads); income from participations; net result, other.

5 Report of the Audit Board for the General Meeting of Shareholders

As statutory auditor, we have audited the consolidated financial statements of the Swiss National Bank, which comprise the balance sheet, income statement, statement of changes in equity and notes (pp. 173–186) for the year ended 31 December 2009.

The Bank Council is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Bank Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Bank Council's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Auditor's responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the statement of changes in equity in accordance with accounting rules for banks and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and on independence (art. 728 CO, art. 47 NBA and art. 11 AOA), and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Bank Council.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Thomas Romer
Audit expert
Auditor in charge

Christian Massetti
Audit expert

Zurich, 26 February 2010